

FILED

SEP 9 1999

PEGGY B. DEANS, CLERK
UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF NORTH CAROLINA
RALEIGH DIVISION

IN RE:

INTERNATIONAL HERITAGE,)	CASE NO. 98-02675-5-ATS
INC.)	CHAPTER 7
)	
INTERNATIONAL HERITAGE)	CASE NO. 98-02674-5-ATS
INCORPORATED,)	CHAPTER 7
Debtors)	

SUPPLEMENT TO OBJECTION OF ACSTAR INSURANCE COMPANY
TO APPLICATION OF TRUSTEE FOR AUTHORITY
TO ENTER INTO SETTLEMENT AGREEMENT

NOW COMES Acstar Insurance Company ("ACSTAR"), by and through its undersigned counsel, and files this supplement to the Objection of ACSTAR to the Application of the Trustee for Authority to Enter into Settlement Agreement filed on August 27, 1999, and hereby supplements its Objection as follows:

23. The Application of the Trustee filed on August 9, 1999 states: "The Settlement Agreement is contingent upon the Court granting a Motion for 11 U.S.C. § 105 Injunction filed by Trustee in the Adversary Proceeding No. S-99-00043-5-AP, extending the Automatic Stay to all Co-Defendants in the underlying actions enumerate therein." This provision as stated impermissibly establishes an injunction against ACSTAR for the benefit of certain named officers and directors of International Heritage Inc. and International Heritage Incorporated ("IHI"). The result is that ACSTAR will not be able to pursue any claims it may have against the officers and directors of IHI, including but not limited to Stanley H. Van Etten, Claude W. Savage, and Larry G. Smith.

24. The wrongful and illegal actions of IHI, by and through its officers and directors, contributed to and caused the subsequent liabilities of IHI in connection with the SEC litigation.

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185
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192

25. As a result of the Payment Bond procured by the officers and directors of IHI for the benefit of IHI, ACSTAR was forced to pay \$4.1 million to settle the SEC litigation.

26. The Bankruptcy Court does not have jurisdiction to grant the relief sought therein.

27. The Application seeks to discharge ERSIC of any further liability in connection with the insurance policy. This impermissibly precludes ACSTAR from filing any claims against the insurance policy in connection with the payment made by ACSTAR in connection with the Payment Bond in the SEC litigation.

28. The insurance policy proceeds are not property of the Estate. Therefore, the Bankruptcy Court does not have jurisdiction to grant the Trustee authority to enter into a Settlement Agreement with ERSIC.

Respectfully submitted, this the 8th day of September, 1999.

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing SUPPLEMENT TO OBJECTION OF ACSTAR INSURANCE COMPANY TO APPLICATION OF TRUSTEE FOR AUTHORITY TO ENTER INTO SETTLEMENT AGREEMENT by depositing a copy thereof in an envelope bearing sufficient postage in the United States mail at Greenville, North Carolina, addressed to the following persons at the following addresses which are the last addresses known to me:

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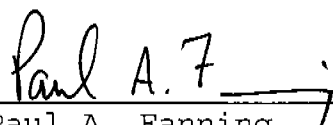
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This the 8th day of September, 1999.



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